



FINANCE COMMITTEE

CITY COUNCIL

MONDAY, FEBRUARY 2, 2009

CITY COUNCIL OFFICE

5:00 p.m.

AGENDA

Committee: J. Waltman, Chair, S. Fuhs, M. Baez

COMMITTEE OF THE WHOLE

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| 1. Blue Ribbon Panel | 5:00 pm |
| 2. Review 2009 Financial Initiatives | 5:30 p.m. |
| a. SWAP Amendment Proposal (M. Vind) | |

FINANCE COMMITTEE

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| 3. Review Revised 2009 Budget | 6:00 p.m. |
| 4. Water & Utility Billing | 6:30 pm |
| 5. Findings from 2008 External Audit (City Auditor) | 7:00 pm |
| 6. Discuss - City Core Services, Programs | 7:30 pm |
| a. Areas of focus | |
| b. What we should no longer focus on | |
| c. Cost of selected programs and services | |
| 7. Charter Amendment – Budget | 8:00 pm |
| - limitations/restrictions default budget | |

- clarification of timelines

8. Bill No. 4-2009

8:30 pm

amending The Codified Ordinances Of The City Of Reading Chapter 1 – Section 1-186, 3, G by adding a new (3) requiring Council approval for all expenditures made from any and all Agency Funds and any and all line items and allocations made in the “Department: Non-Departmental” area of the General Fund Budget **(Council President Spencer)**
Introduced at the January 12 regular meeting; Tabled at the January 26 regular meeting and referred to Finance Committee

-----Original Message-----

From: Vind, Michael D. [mailto:MDV@fsandl.com]

Sent: Tuesday, January 27, 2009 2:22 PM

To: Linda A. Kelleher; Christopher G. Kanezo; Michelle Katzenmoyer

Cc: Ryan P. Hottenstein; City Council; spfuhs@aol.com

Subject: RE: February Finance Committee

Linda:

- Attached is the handout I am preparing to go through as to the opportunity to amend the current City Swaption on the 2002 Capital Appreciation Bonds. Under the current terms of the existing swaption the City would receive a variable rate equal to the SIFMA Index plus 30 basis points (0.30%) and pay a fixed rate to Wachovia equal to 5.097%. Under the potential amendment the City would change the variable rate it receives from the SIFMA Index + 30 basis points to approx 105% of the 3-Month LIBOR rate - the fixed rate paid to Wachovia of 5.097% would stay the same.

- The attachment shows what the City how much the City would have saved by converting the variable rate it receives under the swap to 105% of the 3-Month LIBOR rate compared to the current SIFMA Index + 30 basis points assuming current market rates, market rates over the past year and a half and if the market returns to its historical averages.

- The attachment also goes through the risks of a variable-to-fixed swap, some of the risks listed the City already has with existing swap and I will go through them at the Finance Committee meeting.

- Please let me know if you have any questions.

- Mike

- **Michael D. Vind**

Director

Financial S&Lutions LLC

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NOTE: THE ATTACHMENTS ARE INCLUDED WITH THE HARD COPY OF THE AGENDA ONLY

§902. Submission of Balanced Budget and Capital Program.

On or before 90 days prior to the ensuing fiscal year the department heads will submit proposed budget and capital program to the Managing Director. On or before 60 days prior to the ensuing fiscal year the Mayor will submit to the City Council a balanced budget, capital program, and an accompanying message. The proposed balanced budget and capital program shall be in such form as the Mayor deems desirable, unless otherwise required by Council. (*Charter*, 11/3/1993, §902)

§903. Budget Message.

The budget shall be accompanied by a message which shall include:

- A. An explanation of the expenditures and revenues in the proposed budget, indicating and explaining major changes from the current year and the prior year.
 - B. An outline of proposed programs and an explanation of new, expanded, or abolished programs or functions.
 - C. A summary of the City's debt position.
 - D. Such other material that will inform the Council and the public of municipal goals.
- (*Charter*, 11/3/1993, §903)

§904. Budget.

The budget shall provide a complete financial plan of all City funds and activities for the ensuing fiscal year in accordance with all generally accepted accounting principles and, except as required by this Charter, shall be in such form as the Mayor deems desirable or the Council may require. In organizing the budget, the Mayor shall utilize the most feasible combination of expenditure classification by fund, organization unit, program, purpose or activity, and object. The budget shall contain, among other things, the following:

- A. It shall begin with a general summary of its contents.
- B. It shall show in detail all estimated income, indicating the existing and proposed tax levies, as well as other assessments, fees and charges.
- C. It shall show all proposed expenditures, including debt service, for the ensuing fiscal year.
- D. It shall show the number of proposed employees in every job classification.
- E. It shall be so arranged as to show comparative figures for actual and estimated income and expenditures for the current fiscal year and actual income and expenditures of the preceding 4 fiscal years.
- F. It shall indicate proposed expenditures during the ensuing fiscal year, detailed by offices, departments and agencies, in terms of their respective work programs and

the methods of financing such expenditures.

G. It shall indicate proposed capital expenditures during the ensuing fiscal year, detailed by offices, departments and agencies when practicable, and the proposed method of financing each such capital expenditure. The Mayor will include this separate capital program section in the annual budget and submit to Council with appropriate supporting information as to the necessity for such programs.

H. It shall indicate anticipated net surplus or deficit for the ensuing fiscal year of each utility owned or operated by the City and the proposed method of its disposition; subsidiary budgets for each such utility giving detailed income and expenditure information shall be attached as appendices to the budget. The total of proposed expenditures shall not exceed the total of estimated income. (*Charter*, 11/3/1993, §904)

§905. City Council Action on Budget.

1. **Notice and Hearing.** Council shall publish in one or more newspapers of general circulation in the City the general summary of the budget with a notice stating:

A. The times and places where copies of the budget message and budget document are available for inspection by the public.

B. The time, place and date, not less than 15 days or more than 30 days after such publication, for a public hearing on the budget. The public hearing shall not be on the date of a regular Council meeting.

C. The proposed budget shall be available for public inspection at City Hall and copies shall be available for the public at a reasonable fee to be set by the Council.

2. **Amendment Before Adoption.**

A. After the public hearing, the City Council may adopt the budget, with or without amendment. In amending the budget, it may add or increase programs or amounts and may delete or decrease any programs, or amounts, except expenditures required by law or for debt service or for an estimated cash deficit, provided that no amendment to the budget shall increase the authorized expenditures to an amount greater than total estimated income and thereby allowing for line item changes by the City Council.

B. If the amended budget increases, decreases or readjusts funding requirements by more than 5%, or adds or deletes a program, the Budget shall be returned to the Mayor immediately for comment and resubmission to the Council within 3 normal City work days.

C. Council shall provide for another public hearing to be held within 5 days after the Mayor has resubmitted the Budget.

3. **Adoption.** Council must adopt an annual budget by no later than December 15 of the fiscal year currently ending. If Council fails to adopt a budget by December 15 then the Mayor's original proposed balanced budget shall become the official budget of the City for the ensuing fiscal year.

(*Charter*, 11/3/1993, §905)

§906. Revised Budget.

Notwithstanding any other provisions of this Article, when the fiscal year of the City is the calendar year, in any year following a municipal election year the Council may, within 45 days after the start of the fiscal year, revise the budget and tax levies adopted by the previous Council. The procedures for adopting a revised budget shall be in accordance with §905 within the time periods adjusted to 45 days after the start of the fiscal year.

Ordinances adopting a revised budget shall be effective as of the start of the fiscal year and shall rescind and replace the budget ordinance of the previous Council. It is the intent of this Charter that a new Council, in the year following a municipal election, shall have the power to revise the budget and tax levies adopted by the previous Council.

(Charter, 11/3/1993, §90)

§907. Appropriation and Revenue Ordinance.

For 1996, this Charter shall provide for collection of income from real estate taxes which, in total amount, does not exceed 105% of the real estate tax income actually collected by the City during 1995. For those years following 1996, it shall provide for collection of income from real estate taxes which, in total amount, does not exceed 105% of the real estate tax income actually collected in the previous year. Any collection of income from the real estate tax by the City in excess of the amounts allowed by this section shall not be expended but shall be retained for use in the subsequent year and be used in the next year subsequent to reduce the amount of income needed by the City in said subsequent year.

With the approval of the Court of Common Pleas, upon good cause shown, or by referendum or Charter review, the City may increase the amount of income collected, notwithstanding the provisions of this Section. (Charter, 11/3/1993, §907)

§908. Amendment After Adoption.

1. Emergency appropriations may be made by the Council to meet a public emergency posing a sudden, clear and present danger to life or property. Such appropriations may be made by emergency ordinance in accordance with the provisions of §220 of this Charter.

2. Supplemental appropriations may be made by the Council by ordinance upon certification by the Mayor that there are available for appropriate revenues in excess of those estimated in the budget.

3. Transfer of appropriations may be made in accordance with provision of the Administrative Code [Chapter 1, Part 1]. (Charter, 11/3/1993, §908)

BILL NO. _____ -2009

AN ORDINANCE

AN ORDINANCE AMENDING THE CODIFIED ORDINANCES OF THE CITY OF READING CHAPTER 1 – SECTION 1-186, 3, G BY ADDING A NEW (3) REQUIRING COUNCIL APPROVAL FOR ALL EXPENDITURES MADE FROM ANY AND ALL AGENCY FUNDS AND ANY AND ALL LINE ITEMS AND ALLOCATIONS MADE IN THE “DEPARTMENT: NON-DEPARTMENTAL” AREA OF THE GENERAL FUND BUDGET.

THE CITY OF READING CITY COUNCIL HEREBY ORDAINS AS FOLLOWS:

SECTION 1. Amending the Codified Ordinances of the City of Reading Chapter 1, Section 1-186, 3, G by adding a new (3) shown below:

3. Regulations Concerning Appropriations and Transfers.

A. The authorization and expenditure of all funds and preparation of department budgets shall be in accordance with a policy adopted by the Council and a procedures manual to be prepared and periodically reviewed and updated by the Department of Finance. Expenditures shall be executed in a uniform manner for every City Department.

B. The Director of Finance shall prepare and submit a monthly report to the Mayor, the managing director, and Council. This monthly report shall include all expenditures for each City Department, and status reports comparing those expenditures with the adopted budget, as well as any Department justification of transfer of funds within departments and between departments.

C. In order to allow flexibility in the administration of the City's business, departments may transfer money between line items within the department. A majority of Council, in response to any monthly report, may place a limit on the amount of additional excess expenditure allowed for any program or line item. This is not intended to restrict unduly the Mayor's ability to manage and administer the budget.

D. Justification for transferring money between departments must be presented to and approved by Council. The procedures manual will stipulate the following:

- (1) Expenditure procedures.
- (2) Justification procedures for transferring money between line items.
- (3) Justification procedures for transferring money between department.
- (4) Administration of petty cash funds.

E. *Requiring an amendment to the City's annual Budget Ordinance authorizing the transfer of all monies including, but not limited to, transfers between departments, and transfers in and out of any City fund, account or line item either attached in part or unattached to a departmental budget.* The request for a budget amendment must be submitted to City Council with an agenda memorandum explaining the justification for transfer and the proposed use for the funds transferred. [Ord. 36-2000]

F. *Requiring an amendment to the City's annual Budget Ordinance to authorize any cumulative modification to any departmental overall budget or line item exceeds \$25,000.* The request for a budget amendment must be submitted to City Council with an agenda memorandum explaining the justification for transfer and the proposed use for the funds transferred at least 2 weeks before the transfer is required. [Ord. 36-2000]

G. Requiring City Council approval, via ordinance, for the following:

(1) Salary increases that were not approved in or included in the budget for the fiscal year and fall outside the labor contract for union employees.

(2) All expenditures not approved and listed in the operating or capital budgets for the fiscal year.

(3) All expenditures and allocations from and to any and all Agency Funds and any and all line-items falling in the Departmental: Non Departmental area of the General Fund.

SECTION 2. This ordinance shall be effective ten (10) days after its adoption and approval by the Mayor, or re-passage by City Council over the Mayor's veto, in accordance with Section 219 of the City of Reading Home Rule Charter, or as set forth in Section 221 of the City of Reading Home Rule Charter.

Enacted _____, 2009

President of Council

Attest:

City Clerk

(Council Pres. Spencer & Council Staff)